

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 NSC-05 CIAE-00 PM-03 INR-07 L-02

ACDA-05 NSAE-00 PA-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 EB-07 OMB-01 CIEP-01 /070 W

----- 130024

R 031815Z MAR 75

FM USMISSION NATO

TO SECSTATE WASHDC 405

INFO ALL NATO CAPITALS 5078

SECDEF WASHDC

C O N F I D E N T I A L USNATO 1144

E.O. 11652: GDS

TAGS: EFIN MCAP GW NATO

SUBJECT: BURDENSARING: US-FRG OFFSET AGREEMENT

REFS: A. USNATO 662; B. STATE 45202

1. USNATO WOULD STRESS THAT IT WILL BE IMPORTANT TO HAVE SOME SIGN FOR THE ALLIES TO SEE THAT US/FRG OFFSET NEGOTIATIONS ARE OPENING AT AN EARLY DATE.

2. THE PRESENT OFFSET AGREEMENT EXPIRES ON JUNE 30, 1975--
JUST AS THE LAST PRESIDENTIAL REPORT ON THE JACKSON NUNN AMENDMENT (DUE MAY 16) GOES FORWARD TO THE CONGRESS. MOREOVER, THERE IS GROWING AWARENESS HERE THAT STEADY EROSION OF DOLLAR-VERSUS-DEUTSCHE MARK AND INCREASING CIVILIANIZATION OF MILITARY TASKS IN EUROPE ALMOST CERTAIN TO EFFECT U.S. BOP ON MILITARY ACCOUNT ADVERSELY. THESE FACTORS WILL FOCUS THE ALLIES' ATTENTION AGAIN ON THE WHOLE ISSUE OF BURDENSARING. WE CAN FORESEE TWO PROBLEM AREAS WITH ALLIES IF THERE IS NO SIGN OF EARLY OFFSET NEGOTIATIONS. FIRST, NORTH ATLANTIC COUNCIL IS SCHEDULED TO REVIEW IN MID-APRIL FINAL REPORT ON MILITARY PROCUREMENT IN U.S. BY OTHER REPEAT OTHER ALLIES IN FY 74 TO ENABLE USG TO MEET JACKSON-NUNN REQUIREMENTS. THIS PRESENTATION WILL AGAIN REVIVE THE QUESTION WHETHER OTHER ALLIED GOVERNMENTS NEED TO
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CONTINUE REPORTING TO NATO ON THEIR MILITARY PURCHASES IN U.S. IT WOULD NOT REPEAT NOT BE ADVANTAGEOUS TO U.S. TO HAVE OTHER ALLIES CONCLUDE THE NEED WAS PAST. SECONDLY, ASIDE FROM THE DELICATE QUESTION OF WHAT TURKEY'S POSITION MIGHT BE,

THE EUROPEAN ALLIES WILL WANT TO KNOW WHETHER THEY WILL HAVE TO CONSIDER CONTINUING U.S. NEED FOR PAYMENTS TO OFFSET THE INCREASED OUTFLOW LIKELY TO RESULT FROM THE CIVILIANIZATION OF MILITARY TASKS IN EUROPE AND THE STEADY DECLINE IN THE VALUE OF THE DOLLAR. IF THE U.S. HAS NOT ALREADY BEGUN OFFSET NEGOTIATIONS WITH THE FRG WHEN BONN'S BALANCE OF PAYMENTS SURPLUS IS AT A RECORD LEVEL, OTHER ALLIES MAY CONCLUDE THAT THE U.S. IS NO LONGER TYING BURDENSARING TO THE BALANCE OF PAYMENTS PROBLEM. SUCH THINKING COULD MAKE IT MUCH HARDER TO GET FRG AND OTHER ALLIES TO PARTICIPATE IN NEW BURDENSARING EFFORTS LATER.

3. MISSION BELIEVES IT IS IN U.S. INTEREST TO CONTINUE WITHOUT INTERRUPTION THE HISTORICALLY ACCEPTABLE CONCEPT OF A BILATERAL ARRANGEMENT WITH FRG, COUPLED WITH THE ADDITIONAL OFFSET TO OUR EXPENDITURES AS A RESULT OF MILITARY PROCUREMENT IN U.S. BY OTHER EUROPEAN ALLIES.

4. WITH REGARD TO CANDIDATES FOR FRG OFFSET, MISSION WOULD STRONGLY SUGGEST THAT WASHINGTON TAKE HARD LOOK AT AREA OF PERSONNEL SUPPORT FACILITIES. THE RULING (DURING NEGOTIATIONS FOR U.S. SPECIAL PROGRAM IN INFRASTRUCTURE SLICE XXVI-XXX CEILING (CINCEUR ECJ4-7 21333) THAT SUCH FACILITIES DID NOT REPEAT NOT QUALIFY FOR COMMON FUNDING MAKES THE ORIGINAL EUCOM LIST OF REQUIREMENTS (CINCEUR ECJ4/7 12307) A READY-MADE RESERVOIR OF CANDIDATES SINCE THEY ARE SO SIMILAR TO PREVIOUS BARRACKS REHABILITATION PROGRAM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 18 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NATO01144
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750398/abbrzinf.tel
Line Count: 84
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. USNATO 662; B. STATE 45202
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 25 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 APR 2003 by CunninFX>; APPROVED <28 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BURDENSARING: US-FRG OFFSET AGREEMENT
TAGS: EFIN MCAP GW NATO
To: STATE INFO ALL NATO CAPITALS
SECDEF
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006